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ORGANIZATIONAL MEMBERS AND MANAGEMENT SYSTEMS
IN JAPAN

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Conformity between Career Orientations of
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1. Introduction

In recent years, Japanese human resource management systems have been facing a new problem: diversification of values and orientations of organizational members. The classical issue of organizational studies (Schein, 1971; Schein, 1978; Schein, 1988; Van Maanen, 1978; Van Maanen and Schein, 1979), the way to socialize and integrate people with various values and orientations into one organization, has now become a major issue in Japanese companies.

Until a few years ago, this subject might not have been a critical issue for Japanese companies. Compared to people in the U.S. and European countries, Japanese people tended to enter an organization with similar values, and to stay in one organization rather than switching from one organization to another. These homogeneous, stable characteristics enabled values of organizational members to be naturally integrated. In other words,

there was no need to integrate individuals' values in Japan (Westney et al., 1984).

However, things have been changing. There have been an increasing number of people with a new type of values and orientations in corporations. These people would say that they want to be evaluated based on their capabilities and past achievements and not based on seniority, and that they prefer to expand their potential by having the opportunity to switch companies rather than staying with only one company. Such a diversification of values calls for a new way of management.

This paper examines the conformity between values and orientations of organizational members and management systems in Japan through some empirical analyses. The analyses take on a comparative perspective; we compare employees in Japanese and foreign affiliate companies concerning career orientations and management systems.

There are significant differences between management systems of Japanese and Western companies, as many studies show (Kagano et al., 1985; Pucik, 1984; Lincoln et al., 1986), and foreign companies have brought a new pattern of management systems to Japan. Therefore, foreign companies in Japan tend to be noted not only for their behavioral characteristics in markets, but also for their internal characteristics like management systems (Pucik, 1991).

For example, we had brief interviews with fifty seniors in one Japanese university concerning the images of foreign affiliate

companies in Japan. Most of the students mentioned points related to management systems, especially human resource management systems. Eighty percent gave positive images such as "capability oriented," "quick promotion," "can develop specialized skills," "equality of the sexes," "not bound by the company," "cheerful," and "stylish." Seventy-six percent said "yes" to the question of "Do you think your life will be different depending on if you will work for a Japanese or a foreign-owned company?"

It is interesting, therefore, to see whether the issue of a new type of career orientations and management systems accompanied with the change in the career orientations of people in Japan has become more significant in Japanese companies than in foreign affiliate companies. This is why we compare the two types of companies.

Based on three hypotheses, we would like to analyze the diversification of career orientations and their impact on management systems, and suggest the appropriate management systems which would match the diversification.

2. Three Hypotheses

We have developed the three hypotheses. The first hypothesis is called the career anchor hypothesis: *"the groups of people who choose to work for foreign affiliate and Japanese companies have different career anchors."* This hypothesis is made

to analyze the differences of career orientations in job hunting, and examines if different career orientations influence the actual employment choice.

Career anchor means a sum of self-perceptions related to motives, needs, abilities, and individual values, which plays a key role in an individual's career selection (Schein, 1978: 125). As mentioned above, the phenomenon of diversification of values and orientations suggests the emergence of people whose career orientations are quite different from the orientations toward traditional Japanese companies. These people would value promotions and salary systems based on their capabilities, and would not have great loyalty to the companies for which they work. Such people would be expected to avoid Japanese companies because of their different career orientations, and choose to work for a foreign affiliate company. On the other hand, those who have orientations toward Japanese companies would value the stability of lifetime employment, and would have high loyalty toward the company. This can be comprehended as differences of career anchors, the factors each group values in their career selection. If those who work for foreign and Japanese companies have different career anchors, we can say that diversification of career orientations leads to actual human behaviors such as choosing a company for which to work.

We have developed the following seven types of career anchors:

1. Technical ability: Those who have this type of career

anchor are interested in utilizing their capabilities in special functional areas such as engineering, finance, or marketing. They are not interested in management itself, and feel satisfaction in utilizing their special abilities.

2. Managerial ability: Those who are most interested in maximizing achievements of a whole organization while coordinating various activities. They value human relationships, and wish to be promoted to a general manager position.

3. Autonomy and independence: Those who are interested in maintaining independence at work without being restricted by standards and rules of an organization. Having low loyalty to an organization, they tend to reject a change which would limit their freedom.

4. Stability: Those who are most interested in stabilizing their careers. They value long-term stability of salaries and positions. Having high loyalty to an organization, they try to stay in one organization.

5. Service and devotion: Those who are most interested in services to the society in a large sense, such as improving the society, helping and educating others. They wish to get a job in such an area to achieve these ends through their careers.

6. Pure challenge: Those who are most interested in solving difficult problems and overcoming hardships. They value processes of "winning" rather than characteristics of work, and prefer competition.

7. Entrepreneurship: Those who are most interested in creating something new and dare to take a risk to achieve this. They value actions such as starting a new business as entrepreneurs and realizing their own ideas.

According to the general images of foreign affiliate companies in Japan, those who have chosen to work for foreign-owned companies may be assumed to value the career anchors such as technical ability, autonomy and independence, and pure challenge, for example. On the other hand, those who have elected to work for Japanese companies may be assumed to value managerial ability and stability. In short, it is hypothesized that the groups of people

who work for foreign affiliate and Japanese companies have different career anchors.

The second hypothesis focuses on the management systems of foreign affiliate and Japanese companies. The hypothesis assumes that the management systems of foreign affiliate and Japanese companies are perceived to be different by their members.

While Japanese companies use the traditional management systems based on "lifetime employment" and "seniority systems," this hypothesis assumes that foreign affiliate companies have transplanted the management systems that are common in their mother countries to Japan, to at least to some extent.

We have selected the following seven items as the major variables for the characteristics of management systems:

1. Employment: short term vs. long term.
2. Assignment: specified vs. job-rotation.
3. Salary: ability oriented vs. seniority oriented.
4. Promotion: ability oriented vs. seniority oriented.
5. Organizational rules: formalized vs. flexible.
6. Decision making: top-down vs. group.
7. Placement of responsibilities: individual vs. group.

According to general images mentioned above, the characterizations on the left of each variable belong to foreign affiliate companies, and those on the right belong to Japanese ones. The management system hypothesis states that "*employees of*

foreign affiliate companies will tend to view the management systems in their companies as being 'less Japanese' than employees of Japanese firms view the management systems in their companies."

The third hypothesis assumes that there is a gap between the current situation as to management systems and the expectations of the members inside an organization concerning management systems, and that *"the gap between the existing management systems as perceived by the members and those systems that they expected is greater in foreign-owned companies than in Japanese companies"* (the gap hypothesis).

The gap hypothesis focuses on the reactions of organizational members toward the existing management systems, going one step further than the management system hypothesis. The gap hypothesis examines the conformity between the career orientations of members and the existing management systems.

The gap hypothesis pays attention to a phenomenon in management systems of foreign-owned companies, called "excessive adaptation." Even if the above mentioned management system hypothesis is proved, foreign affiliate companies in Japan are assumed to have adopted Japanese management systems, at least to a partial degree. When foreign affiliate companies enter the business world in Japan, they are subject to "isomorphic pressures."

Theory of organizational isomorphism (DiMaggio and Powell, 1983) argues that there is a strong pressure between organizations

under interactive situations, which increases the similarity of their management systems. According to the theory, there is a high possibility that foreign affiliate companies modify their management systems so that they can become insiders in that country, Japan in this case. Even if foreign affiliate companies do not intend to modify their systems, "Japanese" management systems might have been partially imitated and have become established as foreign affiliate companies repeatedly interact with Japanese companies.

Nevertheless, our first hypothesis is that people with a new type of career orientations that does not match the traditional management systems of Japanese companies choose to work for foreign affiliate companies. If so, although these people choose to work for foreign-owned companies to fulfill their career orientations, there would be a gap between the existing management systems of the foreign-owned companies that have been adapted to local conditions and those systems that they expected. This phenomenon can be called "excessive adaptation" of foreign affiliate companies into the Japanese business world. Thus the third hypothesis assumes that foreign-owned companies have a greater gap between the existing management systems and members' expectations than Japanese companies, which would be free from these kinds of problems.

3. Data Analysis

3.1 Data Collection

The data presented here were collected in 1989 from university students and company employees separately (Sakakibara et al., 1991). In terms of the first hypothesis, i.e., the career anchor hypothesis, we surveyed ninety-nine undergraduate, non-technical students in three top universities in the Tokyo area who had received informal notice for employment. Fifty-eight of them (58.6%) obtained a job in a Japanese company, and forty-one (41.4%) received a job in a foreign affiliate company. In terms of the second and third hypotheses, i.e., the management system hypothesis and the gap hypothesis, we surveyed eighty-two employees in seventeen companies in the Tokyo area. Thirty-nine of them (47.6%) work for Japanese companies, and forty-three (52.4%) work for foreign affiliate companies. All of them are non-technical, white collar employees with less than 5 year working experience in the companies.

3.2 The Career Anchor Hypothesis

We surveyed, first of all, ninety-nine undergraduate students who had received informal notice for employment in 1989. If we compare their intentions at the beginning of job hunting, as Table 1 shows, most students who received a job in a Japanese company (77.6%) had considered only Japanese companies from the beginning, while most students who received a job in a foreign affiliate company (82.9%) had considered Japanese as well as foreign affiliate

companies. Thus we can say that there is a huge gap between the positions of foreign-owned companies and Japanese companies in these students' minds.

-- Insert Table 1 around here --

Table 2 compares the career anchors which the two groups value. In order to operationalize career anchors, we adopted the methodology developed by Hall (1961) and Hage and Aiken (1967). We provided multiple sentences describing the typical characteristics of each dimension of career anchors, and asked the respondent to assess the adequacy of each sentence as a description of the respondent's orientation on a 5-point scale (Sakakibara et al., 1991).

If we compare the scores of the seven variables of career anchors between Japanese and foreign affiliate company groups, we can see that those who received a job in a foreign-owned company value "technical ability," "autonomy and independence," "pure challenge," and "entrepreneurship." The variable "autonomy and independence" is especially highly valued among them ($p < 0.01$). On the other hand, those who received a job in a Japanese company value the career anchors such as "managerial ability," "stability," and "service and devotion." The variable "stability" is especially highly valued among them ($p < 0.01$).

-- Insert Table 2 around here --

These findings indicate that the groups of students who join foreign affiliate and Japanese companies have different career anchors. The students who have relatively strong career orientations for controlling their time and work by themselves and utilizing original ideas and technical skills choose foreign-owned companies. The students who have relatively strong orientations for staying with only one company, maintaining the harmony of people around them, and setting their goals to be a manager in that company typically choose Japanese companies. In terms of the decision making of the students, the career orientations of individuals seem to be reflected in their choice of an employer. Therefore, it is possible to argue that the diversification of career orientations are more than mere psychological values of individuals in their mind, and have started to have impact on the characteristics of business organizations through their employment choice.

3.3 The Management System Hypothesis

In terms of the management system hypothesis, we surveyed eighty-two employees in seventeen companies. Thirty-nine of them (47.6%) work for Japanese companies, and forty-three (52.4%) work for foreign affiliate companies. All the samples consist of office white collar employees.

We made a 5-point scale for each of the seven variables of management systems described above, and had the employees evaluate their current situations. The result is shown in Table 3.

-- Insert Table 3 around here --

The management system hypothesis states that employees of foreign affiliate companies will tend to view the management systems in their companies as being 'less Japanese' than employees of Japanese firms view the management systems in their companies. Among the seven variables, our hypothesis seems to be supported in terms of "employment system," "assignment," "salary system," and "promotion system, and significant differences between foreign affiliate and Japanese companies are recognized as assumed. Although "placement of responsibilities" did not show a significant difference, there is a difference in the same direction with our hypothesis. On the other hand, "organizational rules" and "decision making" show differences in the opposite direction from our hypothesis, although these differences are not significant either.

"Foreign type" management systems seem to be actually functioning in foreign affiliate companies in Japan in terms of employment, assignment, salary and promotion. There are more mid-career entrants and job switchers in foreign affiliate companies than Japanese counterparts; rather than obtaining skills for a manager by assignment to several departments through job rotations, employees of foreign affiliates are assigned in such a way to develop their functional skills in a specified field; salary and promotion are more closely linked with the achievement of

individuals and determined on more ability-oriented bases than in Japanese companies.

However, there is not much difference between the two groups in terms of organizational rules, decision making, and placement of responsibilities. Similar management systems seem to be functioning in these categories.

Among the seven variables, the four variables which support our hypothesis are all related to personnel management. Our findings show, therefore, that the differences between foreign affiliate and Japanese companies do not encompass all management systems, but are concentrated on personnel systems. In the management systems of foreign affiliate companies, the aspects related to organizational processes such as decision making and organizational rules seem to have been subject to modification and isomophication of management systems.

As mentioned in the beginning, the students think that personnel systems are the most significant characteristics of foreign affiliate companies. This image actually matches the current situations of foreign affiliate companies. In this sense, the general image for management systems of foreign affiliate companies reflects reality. The management systems of foreign-owned companies are literally "foreign-type" in personnel systems. This is consistent with the findings obtained through the test of the career anchor hypothesis, which showed the contrast of "stability" and "autonomy and independence." According to these

data, the career orientations of organizational members of foreign affiliate companies seem to match the existing management systems. We will discuss this point in more detail.

3.4 The Gap Hypothesis

In order to examine the gap hypothesis, we gave the same sentences to the above mentioned eighty-seven employees in the seventeen companies, and had them indicate their *wishes* instead of their assessment of current situations. The difference between the wish score (WS) and the current situation score (CSS) is called gap score (GS):

$$GS = WS - CSS$$

In the survey, both WS and CSS can vary from 1 to 5, and the greater the scores are, the more "Japanese-type" management systems are assumed to become. Thus if a GS is positive, it means that a group studied wishes more "Japanese-type" management. Conversely, if a GS is negative, that group wishes for more "foreign-type" management.

After examining the distribution of the gap scores of the seven variables of management systems in foreign affiliates as well as Japanese companies, we have found that the seven variables of management systems can be divided empirically into the four, distinctive cases (see Figure 1):

Case 1: Those where the gap scores are negative both in the foreign affiliate and Japanese company groups. It means that the foreign affiliate as well as Japanese company group wishes more "foreign-type" management systems than the

current situations.

Case 2: Those where the gap score is positive in the foreign affiliate company group and negative in the Japanese company group. It means that the foreign affiliate company group wishes more "Japanese-type" management systems than the current situations, while the Japanese company group wishes more "foreign-type" management systems than the current situations.

Case 3: Those where the gap scores are positive both in the foreign affiliate and Japanese company groups. It means that the foreign affiliate as well as Japanese company group wishes more "Japanese-type" management systems than the current situations.

Case 4: Those where both the foreign affiliate and Japanese company groups hardly perceive the gap.

-- Insert Figure 1 around here --

The result of our analysis shows that the gap hypothesis is supported partially, but the reality is not as simple as the hypothesis. Our gap hypothesis supposes "excessive adaptation" of foreign affiliate companies, which falls into Case 1. However, only salary and promotion systems are included in Case 1. As shown in the previous section, foreign affiliate companies obviously adopt "foreign-type" management systems in the core of personnel management, i.e., salary and promotion. However, the group of employees in the foreign-owned companies desire more "foreign-type" salary and promotion systems than the current ones.

This could be related to the above mentioned difference of career anchors between foreign-owned and Japanese company groups. Those who work for a foreign-owned company choose a job in order to fulfill their new type of career orientations that would not be

satisfied in a Japanese company. Yet as they start their career in a foreign-owned company, they realize that the salary and promotion systems are not as ability-oriented as they expected. This is shown as a gap. There seems to be a phenomenon of "excessive adaptation" of foreign-owned companies in Japan with respect to salaries and promotions.

Although the gap score is smaller as the hypothesis expects, the same phenomenon also exists in Japanese companies. There seems to be a need to change salary and promotion systems from traditional to more "foreign-type" ones even in Japanese companies. In Japanese companies, the systems which unilaterally decide salaries and promotions based on seniority regardless of specialization and abilities have started to become old-fashioned.

The foreign company group does not perceive a gap in "assignment" (Case 4). In the analysis of the previous section, foreign affiliate companies adopt "foreign-type" assignment systems just like salary and promotion systems. However, there is little gap in terms of assignment, which is totally different from the case of salary and promotion systems. This indicates that the "foreign-type" career orientations of those in this group are stronger in the areas of salaries and promotions than in the actual substances of work (such as the kind of occupation). The Japanese company group also has a marginal gap in terms of "assignment," and both groups seem to be satisfied with their current assignment situations.

"Employment systems" falls in Case 2, and shows the different result from our hypothesis. Those who work for foreign affiliate companies feel insecurity to the current unstable employment, and hope for more stable employment. On the other hand, those who work for Japanese companies hope for more flexible employment systems.

There are two interesting points here. First, this finding shows that traditional lifetime employment systems have already ceased to be a great need in Japanese companies. It is true that those who choose Japanese companies value stability as a career anchor. But, employment systems of Japanese companies might be excessively stable. This supports the current argument in Japan (Sakakibara, 1989; Kusunoki et al., 1990) stating that Japanese lifetime employment systems have been collapsing.

Second, the positive gap shown in the foreign affiliate company group is due to the current situations which are more "foreign-type" to them than they expected. At a glance, this contradicts the data we indicated in the analysis of the career anchor hypothesis, because those who choose foreign-owned companies do not value "stability" and instead value "autonomy and independence." Nevertheless, why do people who have started their careers in foreign-owned companies hope for stable employment?

The following is one explanation to this. The pattern of repeating job changes in order to expand one's possibilities and career might not yet be realistic in Japan. The lifetime employment

system, which has taken a firm hold on the Japanese business world, might be gradually loosening, but it is still functioning in Japanese companies in most cases. Japanese companies mainly recruit college graduates at regular intervals, and few of them positively accept job switchers. Changing companies in such a society would be detrimental unless they move to another foreign-owned company which positively accepts job switchers. If employees in the foreign-owned company group have experienced such a condition, it would be rather natural for them to seek for stable employment for their present employers.

The three variables of "organizational rules," "decision making" and "responsibilities" fall into Case 3. These variables are not directly related to personnel management, and no significant difference between the current management systems in foreign affiliate and Japanese companies was recognized (see Table 3). Both groups hope for more "Japanese-type" systems, meaning that the traditional Japanese management systems in terms of these three aspects are supported by the members of both groups. Concerning the management systems in organizational processes other than personnel management, the modification and isomophication of foreign affiliate companies toward Japanese styles seem to be welcome by their members. The members in Japanese companies also seem to hope for more "Japanese-type" management systems in this respect. These Japanese management systems seem to have been established in organizations regardless of the career orientations of the members.

4. Implications

This paper has analyzed the conformity between career orientations of organizational members and management systems in Japan. We examined three hypotheses using data collected from university students and employees in seventeen companies. We would like to point out managerial implications obtained from the analysis.

The analysis reveals two major managerial implications. First, as the analysis about career anchors shows, the diversification of career orientations in Japan has gone beyond mere psychological values of individuals in their mind and is having impact on business organizations. When individuals make decisions related to their careers, the career orientations they have are important factors.

In the comparison of Japanese companies with foreign affiliate companies in this paper, those who have chosen foreign affiliate companies actually have "foreign-type" career orientations such as a high value on autonomy and independence. On the other hand, the group of people who have chosen Japanese companies value stability. Those whose career orientations do not match with traditional ones in the Japanese society are actually flowing into foreign affiliate companies. In this sense, foreign affiliate companies can be called absorber of diversification of career orientations in Japan.

Diversification of career orientations calls for the restructuring of the management systems in Japanese companies, which have been developed on the premise that organizational members are relatively similar in their values and orientations. In Japan, it is widely believed that management systems should be homogeneous regardless of the differences of corporations and business categories. However, if Japanese companies move toward "post-lifetime employment systems," and if the mobility of individuals beyond the fences of corporations becomes more frequent, as is the case in Japan in these days, employees' values and orientations would become more diversified. In order to absorb such people into organizations and utilize their capabilities, future Japanese management systems must change to be compatible with diversification of values and orientations.

Second, the analysis in this paper suggests an interesting implication regarding the changing of management systems. Even if the number of people whose career orientations do not match Japanese corporations is increasing, our analysis shows that it is not enough to simply replace traditional management systems with Western ones. Although people in Japan often argue that we should grow out of Japanese-type management systems and move to Western-type systems, to adapt to the decline in the sense of belonging and a rise in mobility of the labor market, the reality is not so simple.

As the analysis in this paper suggests, those with a new type of career orientations do not simply wish for "foreign-type" management systems. The degree of "foreign-typeness" in the

actual management systems in foreign affiliate companies and in the wishes of the employees vary widely depending on the specific management systems. The impact of the diversification of career orientations is limited to personnel management such as salary and promotion systems. Even in personnel systems, only the assignment system matches the career orientations of the members in foreign companies. They show mixed responses to employment, salary, and promotion systems. They wish for a more ability-oriented principle and further transplantation of foreign management systems in terms of salaries and promotions. But, they also wish, at the same time, for more continuity and stability of employment, something closer to the characteristics of Japanese companies. Finally, with respect to the systems of organizational processes such as decision making and coordination, "Japanese-type" management systems are supported not only by the members of Japanese companies but also by the members of foreign companies.

Thus, the transformation of "Japanese-type" management systems accompanied with diversification of values and orientations should not progress uniformly across the entire management system spectrum. Rather, the transformation may have to be separated from the organizational processes, and may have to start with the issues related to individuals such as salary and promotion systems.

In any case, the impact of the diversification of values and orientations on management systems in Japan is more complicated than generally imagined. It is true that the conformity between values and orientations of organizational members and management

systems is eroding in Japan, and that restructuring of management systems should be done. However, it should be done only after a careful analysis of current situation. We have to have a clear grasp of values and orientations of organizational members, and distinguish each gap between specific management systems and members' value and orientations.

This issue is not just for Japanese companies. The analysis in this paper should be suggestive generally in terms of the way to check the conformity between values and orientations of organizational members and management systems, and to determine the more preferable management systems.

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Table 1 Concerns at the Beginning of Job Hunting

	<u>Companies Considered as a Potential Employer</u>		
	Only Foreign Affiliate Companies	Both	Only Japanese Companies
Those who have received a job in Japanese companies (n=58)	0 (0.0%)	13 (22.4%)	45 (77.6%)
Those who have received a job in foreign affiliate companies (n=41)	7 (17.1%)	34 (82.9%)	0 (0.0%)

Table 2 Perceived Importance of Career Anchor

Mean score of those who work for
Japanese and foreign affiliate companies ^a

Dimension of Career Anchor	Those who work for.....	
	Foreign Affiliate Companies	Japanese Companies
Technical Ability	2.95	2.81
Managerial Ability	3.20	3.37
Autonomy & Independence ^b	3.92	3.48
Stability ^b	2.85	3.26
Service & Devotion	4.08	4.26
Pure Challenge	3.73	3.65
Entrepreneurship	3.48	3.46

^a Mean score of five-point scale. The higher the score, the more typical is the characteristics.

^b $p < .01$ (by T-test of means)

Note: We provided the four sentences describing the typical characteristics of each dimension of career anchor, and asked the respondent to assess the correctness of each sentence as a description of his/her career anchor on a five-point scale (5=definitely true, 4=somewhat true, 3=cannot say one way or the other, 2=somewhat incorrect, and 1=definitely incorrect). The average of the four assessments was employed as the score of each dimension.

Table 3 Perceived Characteristics of Current Situations of Management Systems:

Mean score of those who work for
Japanese and foreign affiliate companies ^a

Variables (and characterizations)	Assessment by those who work for....	
	Foreign affiliate companies	Japanese companies
Employment Systems ^b (Short term vs. long term)	3.38	4.46
Assignment ^b (Specialized vs. job-rotation)	2.56	3.10
Salary Systems ^c (Ability vs. seniority)	3.07	3.69
Promotion Systems ^d (Ability vs. seniority)	2.60	3.10
Organizational Rules (Formalized vs. flexible)	3.19	2.83
Decision Making (Top-down vs. group)	2.84	2.51
Placement of Responsibilities (Individual vs. group)	2.77	2.97

^a Mean score of 5-point scale. The higher the score, the more "Japanese-type" management system is assumed to become.

^b $p < .01$ (by T-test of means)

^c $p < .05$ (by T-test of means)

^d $p < .10$ (by T-test of means)

Note: We provided a pair of sentences describing the characteristic of each dimension of management system. One sentence describes a typical "foreign-type" management system (e.g. ability-based salary system) and the other describes a typical "Japanese-type" management system (e.g. seniority-based salary system). The respondent was asked to assess where the company's management system falls between the two on a five-point scale.

Figure 1 Gap between Current Situations and Expectations of Management Systems

